

## Message Text

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22/46

ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 MMO-04 ABF-01 /025 W

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P R 151220Z APR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 7016

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TURIN

UNCLAS ROME 6196

C O R R E C T E D C O P Y (OMMISSION PARA E. CAMPAIGN #5)

E.O. 11652: N/A

TAGS: BEXP, AFSP, IT

SUBJECT: COUNTRY COMMERCIAL PROGRAM FOR FY 1978 FOR ITALY

REF: STATE 54879

FOR COMMERCE

1. AS INSTRUCTED BY REFTEL, HAVE REQUESTED INCLUSION FUNDS FOR SUPPORT OF CCP ACTIVITIES IN EMBASSY'S FY-1978 BUDGET SUBMISSION.
2. FOLLOWING ARE CAMPAIGN AND NON-CAMPAIGN RECOMMENDATIONS FOR SECTION 3 OF FY-78 CCP. NOTE THAT ONE TRADE-CENTER EVENT IS PLANNED FOR EACH CAMPAIGN EXCEPT MAJOR PROJECTS(#9).

A. CAMPAIGN # 1        PRIORITY RANK # 1

PRINTING AND GRAPHIC ARTS (MANAGER: S. MYLES)

TO COMPENSATE FOR CONTINUOS INCREASE IN LABOR COSTS AND TO SATISFY STEADY GROWTH IN MARKET FOR READING MATERIALS, ITALIAN PRINTING INDUSTRY IS LOOKING FOR ADVANCED EQUIPMENT AND UNCLASSIFIED

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SYSTEMS. AN EXPECTED AVERAGE ANNUAL INCREASE OF EIGHT PERCENT IN IMPORTS AND A CONSERVATIVE 15 PERCENT IN SALES LEADS US TO BELIEVE THAT A GOOD MARKET EXISTS IN ITALY FOR SOPHISTICATED U.S. PRINTING AND GRAPHIC-ARTS EQUIPMENT.

B. CAMPAIGN # 2      PRIORITY RANK # 2

PROCESS CONTROLS (MANAGER: F.N. NEGRETTI)

WITH ECONOMIC RECOVERY UNDERWAY, ITALIAN INDUSTRY MUST OVERCOME LOW LEVELS OF PRODUCTIVITY AND DECLINE IN COMPETITIVENESS CAUSED BY ABSENTEEISM AND INCREASED PRODUCTION COSTS. SUBSTANTIAL RENOVATION OF INDUSTRY IS NEEDED, MAKING A GOOD MARKET FOR U.S. INDUSTRIAL PROCESS-CONTROL EQUIPMENT.

C. CAMPAIGN # 3      PRIORITY RANK # 3

BUILDING EQUIPMENT AND MATERIALS (MANAGER : R.P. GOOLD)

TRADITIONAL ITALIAN BUILDING AND CONSTRUCTION METHODS, UNCHANGED FOR MANY YEARS, TOGETHER WITH INCREASED LABOR COSTS, DEFICIENCIES IN GOVERNMENTAL PLANNING, LENGTHY SCHEDULING, AND UNECONOMICAL RESULTS, PROVIDE GOOD POTENTIAL FOR SPECIALIZED INDUSTRIALIZATION OF THIS SECTOR. U.S. INDUSTRY STANDS A GOOD CHANCE OF IMPROVING ITS POSITION IN MARKET WITH MODERN EQUIPMENT AND MATERIALS. PRE-FABRICATED BUILDINGS, ESPECIALLY FOR HOSPITALS, HAVE JUST BEGUN TO TAKE HOLD HERE, AND MARKET WILL GROW.

D. CAMPAIGN # 4      PRIORITY RANK # 4

FOOD PROCESSING AND PACKAGING (MANAGER: F.N. NEGRETTI)

ITALIAN EATING HABITS ARE CHANGING, WITH RAPIDLY INCREASING DEMAND FOR FROZEN, PRE-COOKED, AND PROCESSED FOODS. TO MEET NEW REQUIREMENTS, LOCAL INDUSTRY WILL CONTINUE TO NEED FOOD-PROCESSING AND PACKAGING MACHINERY. AVERAGE ANNUAL SALES ARE EXPECTED TO INCREASE 15 TO 18 PERCENT.

E. CAMPAIGN #5      PRIORITY RANK # 5

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COMPUTERS (MANAGER: D.A. ROSS)

ITALIAN ELECTRONIC MARKET IS EXPECTED TO EXPAND 45 PERCENT IN 1978 OVER PRESENT. 20 PERCENT OF THIS WILL BE MADE OF COMPUTERS AND PERIPHERAL EQUIPMENT. MOST IMPORTANT PRODUCT IN MARKET IS MINI-COMPUTERS, WHICH MAKE UP 85 PERCENT OF QUANTITY AND 36 PERCENT OF VALUE OF ALL COMPUTERS. IT IS NOW EXPECTED THAT, WITH MORE ADVANCED MECHANIZATION IN INDUSTRY, MARKET WILL CHANGE IN LATE 1970S IN FAVOR OF LARGER COMPUTERS. THEREFORE, PROSPECTS FOR U.S. EDP EQUIPMENT OF ADVANCED TECHNOLOGY ARE GOOD.

F. CAMPAIGN # 6      PRIORITY RANK # 6

SPECIAL EQUIPMENT (MANAGER: D.A. ROSS)

THIS CAMPAIGN COVERS VARIOUS TYPES OF EQUIPMENT SUCH AS LASERS, ELECTRO-OPTICAL EQUIPMENT, PAPER-MAKING AND--CONVERTING MACHINERY, AND COSMETIC AND PHARMACEUTICAL MANUFACTURING EQUIPMENT FOR WHICH THERE IS AN EXCELLENT POTENTIAL MARKET FOR U.S. PRODUCTS.

G. CAMPAIGN # 7      PRIORITY RANK # 7

CONSUMER THEME (MANAGER: J.L. PITTS)

U.S. CONSUMER GOODS HAVE MADE OUTSTANDING SALES RECORDS DURING THE PAST COUPLE OF YEARS DESPITE THE ECONOMIC SLUMP IN ITALY. PARTICULARLY GOOD SELLERS ARE HIGH-FIDELITY EQUIPMENT AND SPORTS AND CASUAL APPAREL. IN THE LATTER CASE, HOWEVER, WE MUST WATCH ITALIAN AND EEC DEVELOPMENTS ON REQUESTS FOR VOLUNTARY RESTRAINTS OF EXPORTS OF TEXTILES.

H. CAMPAIGN # 8      PRIORITY RANK # 8

VISIT USA (MANAGER: M.B. LAWRENCE)

SEE DEFERRED ACTIVITIES, PARAGRAPH # 3 BELOW.

I. CAMPAIGN # 9      PRIORITY RANK # 9

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MAJOR PROJECTS (MANAGER: P.A. QUANDT)

THERE ARE IN ITALY A NUMBER OF LARGE PROJECTS AND OUTSIDE OF ITALY WORK BEING DONE BY ITALIAN CONTRACTORS WHICH STRETCH OVER SEVERAL YEARS AND ARE POTENTIAL SOURCES OF LARGE SALES VOLUME. THE COMMERCIAL SECTIONS MONITOR DEVELOPMENTS IN THESE PROJECTS AND SEEK OUT NEW PLANS AND THEN ASSIST AMERICAN FIRMS IN MAKING BIDS, CONTACTING THE PROPER GOVERNMENT OR INDUSTRY OFFICIAL AND GENERALLY EXPEDITING THE RELATIONSHIPS.

THESE MAJOR PROJECTS NUMBER LESS THAN 10. THEY ARE THE SUBJECT OF A VARIETY OF COMMERCIAL EFFORTS, MOST NOTEWORTHY OF THEM BEING TRADE MISSIONS, WHICH ATTACH THE PROBLEM MOST DIRECTLY BUT WHICH, OF COURSE, REQUIRE THE GREATEST OUTLAY OF RESOURCES IN COMPARISON WITH OTHER PROMOTION EFFORTS.

3. DEFERRED ACTIVITIES

LOSS OF COMMERCIAL ATTACHE (CA) POSITION WILL HAVE STRONGLY ADVERSE AFFECT ON MANAGEMENT OF CCP. WHILE RESPONSIBLE TO COMMERCIAL COUNSELOR, CA TAKES COMPLETE INITIATIVE FOR FORMULATION OF CCP CAMPAIGNS AND SUPERVISION OF JUNIOR OFFICERS

AND EMPLOYEES IN PREPARATION OF RESOURCE ALLOCATIONS, ETC.  
 HE ALSO IS RESPONSIBLE FOR COORDINATION OF PROGRAM THROUGHOUT ITALY  
 AND ITS PERIODIC EVALUATION AND IS MANAGER OF ONE OF THE NINE  
 CCP CAMPAIGNS. CA IS CURRENTLY THE ONLY COMMERCIAL OFFICER  
 DEVOTING OVER HALF HIS TIME TO CCP. IN HIS ABSENCE CCP PROGRAM  
 DIRECTION WILL FALL TO AN OFFICER ALREADY ABLE TO SPEND ONLY  
 A FRACTION OF HIS TIME ON CCP ACTIVITIES. THIS WILL MEAN  
 SPECIFICALLY DEFERRING THE CAMPAIGN MANAGED BY CA (VISIT USA)  
 AND ON OF CAMPAIGNS MANAGED BY THE OTHER OFFICERS IN SECTION  
 (EITHER MAJOR PROJECTS OR BUILDING EQUIPMENT AND MATERIALS)  
 AND WILL GREATLY REDUCE TIME DEVOTED TO DESIGNING AND  
 COORDINATING PROGRAM. BESIDES CAMPAIGN ACTIVITIES, TRADE-CENTER  
 SUPPORT, TRADE-MISSION SUPPORT, AND SCAMBI COMMERCIALI WILL  
 HAVE TO BE CUT BACK MASSIVELY, AND MINI-MISSIONS WILL PROBABLY  
 HAVE TO BE DROPPED. ACTIVITIES DEFERRED IN FY 1976 PROGRAM  
 WILL CONTINUE IN THAT STATUS UNTIL WE GET ADDITIONAL POSITIONS  
 REQUESTED (SEE 75 ROME 8588).

4. FOLLOWING ARE TOTAL RESOURCES UTILIZED (TABLE II (A)):  
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PROFESSIONALS  
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CAMPAIGNS		NON-CAMPAIGN		PERCENT OF TOTAL
FSO/R	FSL/P	FSO/R	FSL/P	
802	1103	2686	3693	74 P. CENT

CLERICAL  
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CAMPAIGNS		NON-CAMPAIGN		PERCENT OF TOTAL
FSS	FSL/C	FSS	FSL/C	
100	551	336	1846	26 P. CENT

5. FOLLOWING ARE TOTAL RESOURCES UTILIZED (TABLE II (B)):

CAMPAIGNS  
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TRAVEL	REPRESENTATION	CONTRACT SERVICES	MISC.	PERCENT OF TOTAL
6,155	3,671	14,876	0	38.9 P. CENT

NON-CAMPAIGNS  
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TRAVEL	REPRESENTATION	CONTRACT SERVICES	MISC.	PERCENT OF TOTAL
9,246	4,692	14,697	10,074	61.1 P. CENT

6. NOTE THAT RESOURCE TOTALS IN PARAGRAPHS 4 AND 5 DO NOT INCLU-

DE ADDITIONAL POSITIONS REQUESTED (OR CA POSITION). UTILIZATION  
OF THESE RESOURCES IS REFLECTED IN DEFERRED ACTIVITIES CARRIED  
OVER FROM FY-1976 CCP AND IS FULLY JUSTIFIED IN 75 ROME 8588.  
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GENOA  
MILAN  
NAPLES  
PALERMO  
TURIN

**Type:** TE

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